

Signing of Japanese ODA Loan Agreements with Sri Lanka: Building infrastructure to reduce regional disparities through living environment improvements

On July 7, the Japan International Cooperation Agency (JICA) signed loan agreements with the Government of the Democratic Socialist Republic of Sri Lanka in Colombo to provide Japanese ODA loans of up to a total of 44.767 billion yen for two projects.

Since civil war ended in 2009 after 26 years of fighting, Sri Lanka has made considerable effort in reconstruction and achieved steady economic growth, driven by growth in service industries, such as tourism. As a result, the GNI (Gross National Income) per capita is approaching that of upper-middle-income countries. Nevertheless, a large economic gap remains between Colombo, which is the political and economic center of the country, and outlying areas, including conflict-affected areas. Even inside urban areas, disparities have arisen due to an imbalance in infrastructure development. Given these circumstances, infrastructure enhancement is critical to improve the living environment in order to address the regional disparities and achieve inclusive growth which benefits all of the people of Sri Lanka.

A summary of the two Japanese ODA projects provided by the loan agreements is as follows:

- (1) Rural Infrastructure Development Project in Emerging Regions (loan amount: 12.957 billion yen)
- (2) Kalu Ganga Water Supply Expansion Project (I) (loan amount: 31.81 billion yen)

Details for the projects are provided below.

(1) Rural Infrastructure Development Project in Emerging Regions

(a) Objective and Summary

The objective of the project is to raise living standards and to develop the livelihoods of local people through improvements to basic infrastructure, such as rural roads, medium and small-size irrigation and potable water supply facilities in Northern, Eastern, North Central and Uva Provinces that include conflict-affected areas, thereby contributing to development of rural economies, reduction of regional disparities, and alleviation of poverty in the country.

(b) Background and Necessity

Since the end of civil war in 2009, Sri Lanka has achieved remarkable economic growth. However, the provision of basic infrastructure directly related to the lives and production activities of local people such as rural roads, medium and small-size irrigation and potable water supply facilities, has not developed sufficiently in Northern, Eastern, North Central and Uva Provinces. For example, only five percent of the rural roads are paved in North Central Province, where the infrastructure is relatively developed compared to the other three target provinces. Further, in the dry season, only around 50 percent of the cultivated areas are available for agricultural activities compared to those in the rainy season due to the deterioration and underdevelopment of irrigation facilities in the four target provinces. In addition, a large number of households have to obtain drinking water away from their homes, as in the case of Northern Province where nearly 50 percent of the households are facing these challenges. An absence or poor condition of such basic infrastructure is one of the factors hindering improvement of living standards and the livelihoods of the local people, resulting in serious regional disparities, including a large gap in the poverty rates between Western Province and the four target provinces.

Taking these circumstances into account, the project will carry out the construction and rehabilitation of rural roads (concrete pavement, roadway widening, culverts and bridges) and of medium and small-size irrigation facilities (embankments, drain ditches, sluice gates and watercourses). The project will also perform the construction and rehabilitation of potable water supply facilities (wells, pumps, reservoirs, transmission pipes and water treatment devices).

(c) Executing Agency

Ministry of Provincial Councils and Local Government

Address: No. 330, Dr. Colvin R. de Silva Mawatha (Union Place), Colombo 02, Sri Lanka

Phone: +94-11-230-5326, fax: +94-11-234-7529

(d) Planned Implementation Schedule

1. Completion of project: September 2021 – when the facilities are put into service
2. Issuing of letters of invitation for consulting services (including detailed design work): October 2017
3. Tender announcement of initial procurement package for international competitive bidding on project construction: Domestic procurement is planned, and international competitive bidding for procurement is not planned for this project.

(2) Kalu Ganga Water Supply Expansion Project (I)

(a) Objective and Summary

The objective of the project is to improve access to safe water and water supply efficiency in the southern area of Western Province by expanding the Kalu Ganga water supply facilities and restructuring water distribution networks, thereby contributing to improvement in the living conditions of the project area.

(b) Background and Necessity

Western Province is the center of Sri Lanka's political and economic activities, as around 42 percent of GDP (Gross Domestic Products) and 28.5 percent of the population is concentrated in this area. The province has been leading economic development with industrial complexes, export processing zones, and the largest international airport in the country. Although the infrastructure is relatively advanced and the water supply coverage is 62.7 percent, higher than the national average of 45.9 percent, communities without water supply systems remain in the province outside of Colombo District. It is predicted that urbanization will further progress and that the water demand will grow, making an expansion to the water supply services necessary in the province. Moreover, deterioration of the water distribution pipes has resulted in high non-revenue water rates of 30 to 40 percent caused by leaks, illegal connections, and uninstalled meters. To address the rising demand for water, it is essential that the non-revenue water rates are reduced for a more efficient water supply.

Taking these circumstances into account, the project will provide water supply systems, including an expansion of the water treatment plants, and installation of intake facilities, transmission and distribution pipes. The project will also launch a pilot project for reducing non-revenue water. The project will contribute to strengthening the water supply capacity in the southern areas in Western Province for a safe, stable water supply.

(c) Executing Agency

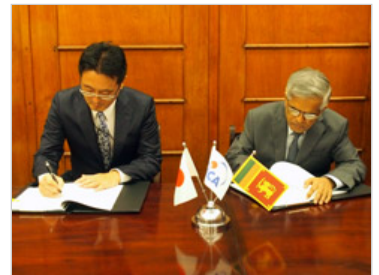
Ministry of City Planning and Water Supply

Address: No. 35, New Parliament Road, Pelawatta, Battaramulla, Sri Lanka

Phone: +94-11-217-7240, fax: +94-11-217-7242

(d) Planned Implementation Schedule

1. Completion of project: March 2024 – when the facilities are put into service
2. Issuing of letters of invitation for consulting services (including detailed design work): October 2017
3. Tender announcement of initial procurement package for international competitive bidding on project construction:



signing ceremony

Package titles:

- Intake & Water Treatment Plant Facilities
- Transmission & Distribution Feeder Main Pipes
- Reservoirs & Pump Stations

Release date: September 2019

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
Rural Infrastructure Development Project in Emerging Regions	12,957	1.40	0.01	25	7	Generaluntied
Kalu Ganga Water Supply Expansion Project (I)	31,810	1.40	0.01	25	7	Generaluntied
Total	44,767					